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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 12/28/07

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ARTICLES:

- (1) Fukuda administration in third month

NIKKEI (Page 2) (Full)
December 28, 2007

On the evening of Dec. 20, when negotiations on reforming independent administrative corporations entered the home stretch, Prime Minister Yasuo Fukuda summoned Administrative Reform Minister

Yoshimi Watanabe to the Prime Minister's Office (Kantei) and asked him to accept a compromise proposal to put off the review of the status of the Urban Renaissance Agency and the Japan Housing Finance Agency for another three years.

Watanabe, however, declined the proposal. Upset by this unexpected reply, Fukuda instructed officials to rewrite the proposal. The officials compiled a final proposal the next day through coordination of views again by the Cabinet Secretariat and the Land, Infrastructure and Transport Ministry. The final version called for moving up the reform of the Japan Housing Finance Agency by only one year.

This was the first and last instruction on the reform of independent administrative corporations by the prime minister. Fukuda was eager to reform the negotiated contract system and the assessment system but did not show any interest in abolishing or privatizing public corporations that would lead to a drastic cut in fiscal outlays. Discussion was not conducted on the meaning of such corporations' existence, either, with priority given to only making the numbers balance in streamlining plans.

The former Abe administration tried to maintain buoyancy by underscoring that Kasumigaseki government officials are the forces of resistance to reforms. Under the Fukuda administration, however, the bureaucracy came back to life, slowing down administrative reform efforts.

A member of an expert council on reforming the public servant system grumbled: "Our reform plans have been watered down one after another."

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A bill to reform the public servant system that the council plans to submit to the next ordinary Diet session initially called for abolishing the career system. But the latest draft report inserted the phrase calling for "replacing the first-class national examination with an examination for the managerial track," indicating bureaucrats' desire to essentially retain the current system. Irritated by this development, conference members decided to set up a drafting committee and draft a report without depending on government officials.

The prime minister has repeatedly said: "I am determined to thoroughly eliminate waste and establish a streamlined and effective government." But his eagerness to tackle administrative reform cannot be detected at all.

(2) Interview with State Minister for Administrative Reform Minister Yoshimi Watanabe: "Bureaucrats had secret scenario"

SANKEI (Page 3) (Full)
December 28, 2007

The independent administrative agency streamlining plan, which the government adopted at a cabinet meeting on Dec. 24, turned out to be a mere juggling of numbers with various decisions being put off. Responding to an interview by the Sankei Shimbun, State Minister in charge of Administrative Reform Yoshimi Watanabe, who has been out in the forefront as a coordinator of the reform drive, revealed that there was a so-called Kasumigaseki scenario, apart from the original reform plan. He also said that bureaucrats were resisting the reform drive behind the scenes. The following are the main portions of the interview.

-- Some say that the plan has stepped back from the initial scenario. How do you rate it yourself?

"The streamlining plan has on the whole put the scalpel into symbolic entities among independent administrative agencies, such as the Urban Renaissance Agency. Regarding the Employment and Human Resources Development Organization of Japan, a decision was made to reach a conclusion in a year, including the possibility of scrapping it. Though a decision on what should be done about the Urban Renaissance Agency has been postponed until three years later, it

does not mean that it was decided to be kept in place. The package has also cut the cords of the discretionary contract system and the golden parachute system (amakudari practice). In that sense, we succeeded in thwarting the Kasumigaseki (bureaucratic center of Japan) scenario from being realized, contrary to public assessment. I would give it a passing mark, though it was insufficient."

-- What do you mean by the Kasumigaseki scenario?

"I am making the move at the order of the prime minister. However, there was also a Kasumigaseki scenario. Some were concerned that if I do it my way, their scenario would collapse. As such, various government agency officials adopted a bid-rigging policy in an effort to prevent their ministers from going ahead with the reform drive.

-- Please be more specific.

"Health, Labor and Welfare Minister Yoichi Masuzoe during negotiations told me that working-level officials had said to him

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that they did not want the MHLW alone to stand out. Since Mr. Masuzoe made an in-depth statement in the very first negotiations, working-level officials probably got upset. His story made me realize that there is a lock-step formula arrangement or the so-called Kasumigaseki scenario among various government agencies.

"I also saw notes on Kasumigaseki's estimation regarding reform of independent administrative agencies. To name a few, reforming the Commemorative Organization for the Japan World Exposition 70 is a mid- to long-term theme. The Big Three -- Nippon Export and Investment Insurance, the Urban Renaissance Agency and the Japan Housing Finance Agency -- should be maintained as they are. I have been hit with a flood of opposition and requests from the ruling parties as well. I felt that they were warning that they would not allow me to cut into the Big Three."

-- You were criticized as excessively showcasing your motivation. You have drawn fire for that.

"Somebody perhaps tried to find fault with me. Making a negative campaign saying that the reform drive has failed due to my performance is like spitting up into the sky. Those people are putting their heads into the noose."

-- Has there been any change in the government stance of reforming independent administrative agencies since the Fukuda administration came into existence?

"(Unlike the Abe administration), the Fukuda administration uses different rhetoric. The Fukuda cabinet's policy is "be cautious" and "be gentle." The rhetoric it uses toward bureaucrats is gentle. However, there is no difference between the Abe cabinet and the Fukuda cabinet in the sense that their policy is to correct outdated aspects of the present bureaucratic system so that public servants can take pride in their work, instead of bashing them."

-- Did you feel the difficulty of administrative reform?

"It is self-contradictory to use bureaucrats for administrative reform. This will not do, because it is like having bureaucrats work out their own affairs. To look at the process I have undergone until the streamlining plan was mapped out, I found myself in a clutch situation from the beginning to the end. However, I have in the end managed to go beyond bureaucrats' estimation. All that is left is to how to implement the package. The reform drive would step back, if the proposals were not implemented."

(3) Revised Political Fund Control Law requires politicians to attach receipts for every item costing one yen or more; Lawmakers too stingy

The revised Political Fund Control Law will come into effect on Jan. 1, 2008. The centerpiece of the revised law is a requirement to attach receipts to political fund reports for every item costing one yen or more in view of public anger. Diet members have already grumbled about such a requirement, with one member saying, "What should we do when we have bought a bottle or can of juice from the vending machine?" How stingy Japanese lawmakers are! The newspaper looked into the foolishness of politicians' complaints, as well as

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their ignorance of popular opinion.

Condolence money for funeral

It is said that Diet members have complained about what they should do about condolence payments. One politician said: "I don't want to ask bereaved families for receipts." A 44-year-old salesman said in a strong tone: "Of course, you should not." He continued:

"Supporters for a politician are tantamount to a salesman's best customers, aren't they? Objectively speaking, attending a best customer's funeral is a business in a way. So, you should pay a funeral offering out of your pocket. I can't understand your impudence that you want a receipt for condolence payment."

Fried Chinese noodle

Participating in events held by neighborhood community associations is a kind of a job for politicians. It is said they, therefore, buy fried Chinese noodles at these events since the Public Offices Election Law prohibits them from giving gifts (to those associations and supporters). They grumble because they can't ask a receipt (for fried Chinese noodles). A 67-year-old man in Kanagawa Prefecture had a good laugh at this story, saying:

"The lawmaker ate the noodles, didn't he? Who makes a decision on eating something is a political activity or one's personal meal? Does he want to say that all the meals of politicians are political activities?"

Bottle of juice from vending machine

Politicians like attending meetings. They give bottles of juice or water to participants in their meetings. Some of them have said that when they buy bottles of juice, they can't get receipts." A 36-year-old organization official in Tokyo was disgusted with this story and said: "I don't understand why they offer beverages at all meetings. If they really want receipts, they should buy them at liquor shops or supermarkets."

Politicians concerned that names of persons with whom they meet will be revealed

Many politicians have said that once they submit receipts, the names of persons with whom they met will be unveiled. A 46-year-old organization official in Tokyo laughed: "Why? Do they have to hold meetings at restaurants from which they can get receipts? They are probably unable to hold meetings without food and drink."

Clerical work to expand

There seems to be politicians who have pointed that once they are required to submit receipts, their clerical work will be enormous; and as a result, such will lead to wasting tax money. However, citizens do such work when filing income tax returns. A 50-year-old management at a company listed on the First Section said with suppressed anger: "Private companies are required to submit specific receipts. Why don't they do their clerical work on weekends or twice a month? Why should I say what I tell new employees?"

Tsutomu Shimizu, a lawyer, who is well versed in political fund

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affairs and information disclosure said:

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"It is true that voters ask politicians for bottles of juice and condolence payments. Politicians are concerned about being seen as stingy. The public should not ask them for rewards. With receipts alone, we cannot find the names of those with whom they have held meetings. It is unacceptable that they think meeting with people costs a lot of money."

(4) Number of labor union members increases for first time in 13 years

YOMIURI (Page 2) (Full)
December 28, 2008

A survey carried out by the Ministry of Health, Labor and Welfare (MHLW) found that the number of labor union members as of the end of June this year increased for the first time in 13 years. A significant increase in part-timers has apparently halted the downward trend in the number of labor union members.

According to the findings of the survey, the number of labor union members reached 10,079,614 as of the end of June this year, an increase of 39,034 from last year. Approximately 588,000 union members are part-timers, up by about 73,000 from last year. The number of trade unions was 27,226, down by 281 from the previous year. The ratio of companies that have labor unions was 18.1 PERCENT, down 0.1 point from the previous year, a downward trend that started in 1975.

(5) Editorial: Aware of need for prompt reforms to revitalize economy

NIKKEI (Page 2) (Full)
December 28, 2007

We should probably say we told you so, but Japan's share of the global economy finally dropped below 10 PERCENT in 2006. The implicit meaning is that the effect does not stop with the economic front: we cannot help but fear Japan's diplomacy and national security will be affected.

Japan's share of the world's nominal gross domestic product (GDP) last year fell to 9.1 PERCENT, below the 10 PERCENT level for the first time in 24 years. In terms of per-capita nominal GDP, Japan slipped into 18th place among the 30 member countries of the Organization for Economic Cooperation and Development (OECD). Luxembourg took first place, with its per capita GDP 2.6 times larger than Japan's.

The drop in GDP in dollar terms is attributed in part to the recent rise in the exchange rates of other countries' currencies such as the Euro to the dollar and the yen. However, Japan's share has continued to fall for more than 10 years. Japan's delay in reforming its economic, administrative, and financial systems, as well as its corporate management system, also must be considered as lying behind Japan's GDP problem. Many other countries have more swiftly taken measures in response to the advance of economic globalization and computerization.

For instance, the five Scandinavian countries, all of which are included among the top 10 in terms of per-capita GNP, have energetically pushed ahead with policies since the 1990s that place

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emphasis on market mechanisms and being responsive to the globalizing economy. Specifically, they have eased regulations, reduced taxes, supported high-tech industries, as well as given priority to creativity in education programs. As a result, Nokia, which now enjoys the world's largest share in the cellular phone market, made its start in Finland.

Japan was overtaken by England in terms of per-capita GDP three years ago. The sweeping economic reform by then Prime Minister Thatcher in the 1980s worked so effectively that the British economy

has continued to expand for 15 years, starting in 1992.

Some persons might question why it is necessary for the fairly affluent Japan to further boost its GDP. To narrow income discrepancy, it is necessary to expand the scale of economy, but it is not enough only to change the wealth-distribution method. Additionally, since tax revenues and insurance premiums are linked to the size of economy, if the nation's GDP remains flat, its social security programs, including pension and medical insurance, will be at risk, given the aging of the society. Japan's fiscal deficit and accumulated debt - the worst among those of the major industrialized countries - will also never be liquidated without economic expansion.

Japan is losing its influence in the international community. Japan was always in first place in net official development assistance (ODA) rankings until a decade ago, but it slipped below the United States and Britain in 2006. Three years from now, Japan is expected to drop to sixth place. In recent years, such "soft power" as economic aid, in the place of military power, has served countries as a primary foreign-policy tool. The shrinkage of Japan's soft power may lead to its losing its international say and to the bringing about of uncertainty on the national security front.

The policies and system reforms initiated by the Koizumi administration have made no significant progress since the inauguration of the Abe cabinet. Excluding some cases, the path of management reform of companies and financial institutions has slowed to a crawl since the financial crisis passed. The government must realize that it must quickly carry out the reforms that are necessary.

(6) Editorial: Highest priority must be given to North Korea's "full declaration" of nuclear programs

ASAHI (Page 3) (Slightly abridged)
December 28, 2007

North Korea is unlikely to honor its commitments to disabling its nuclear facilities and declaring all its nuclear programs, both of which the North has said it would carry out by the end of the year.

A senior North Korean diplomat said: "Adjusting the speed of disablement is unavoidable." The reason is because deliveries of energy aid to that country, as agreed on at the six-party talks, is behind schedule.

Reportedly, heavy fuel oil that is supposed to be supplied by Russia for energy aid for November has not arrived in North Korea. Until recently South Korea, China, and the United States have taken turns in providing monthly deliveries of 50,000 tons of heavy oil to the North. If it is true that Russia is behind the schedule in supplying

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heavy oil, we urge Moscow to live up to its promise properly.

But that does not appear to be the real reason why the North is dragging its feet in carrying out disablement. The true reason is apparently related to the question of whether the U.S. delists North Korea from the list of states sponsoring terrorism. The U.S. and North Korea in their negotiations agreed to link as a set the North's disablement of its nuclear facilities and the declaration of all its nuclear programs and America's delisting of the North from its terror list.

The dominant explanation is that North Korea is now irritated that although it thought that specific steps for delisting would be taken by the end of the year, there has been no progress in that direction. As a result, North Korea is now wavering back and forth.

From the beginning, it was said that it would be difficult for the North to complete by the end of the year the disablement of the three major nuclear facilities used to develop nuclear weapons. Parts of those facilities are contaminated with radiation, so it has taken time to remove that danger.

According to U.S. intelligence, the disablement process is by and large moving forward. Even though the process cannot be completed within the year, it may not be so serious. Now that the nuclear facilities have been put out of operation, no materials needed for making nuclear weapons can be produced.

More serious is the North's delay in declaring nuclear programs in a complete and accurate manner.

In addition to the three major facilities, what other facilities are there in North Korea? The North has promised to reveal all its nuclear programs. Included in the promise is revealing the amount of reprocessed nuclear fuel, the amount of extracted plutonium, the amount of such plutonium that was used for making nuclear weapons, the amount of plutonium used for nuclear testing, and the amount of remaining plutonium. Also, the North has been promised to reveal where the remaining plutonium is stored.

Once North Korea declares all its nuclear programs, negotiations will start, based on the declaration, on specific steps for denuclearization. The declaration will be a crucially important basis for promoting six-party talks.

The declaration must not be treated lightly. The U.S. remains cautious about delisting the North as a state sponsoring terrorism. Perhaps based on the results of overtures from the North, the U.S. must have become cautious about delisting.

It is outrageous that the North is unlikely to make a declaration of all its nuclear programs by the end of the year as promised, but the important thing is the contents of the declaration. The question of uranium enrichment also should be made clear. Furthermore, there is the suspicion that the North is proliferating nuclear technology.

The U.S. should not easily give away its card of delisting the North. Instead, it should continue to work hard on the North. Even if the declaration is not issued within the year, there is no need to become impatient, and the five countries, including Japan and the U.S., should work to maintain their unity.

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One can say that the most difficult stage - just prior to the North's abandonment of its nuclear programs - has been reached. Unless the North carries out its promise, it can never open the way to normalizing diplomatic ties with the U.S. and Japan. North Korea should think hard about that point.

DONOVAN